

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02
OMB-01 DOE-11 /117 W
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R 171739Z MAR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 5550
INFO USMISSION GENEVA

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USEEC

GENEVA FOR MTN DEPT PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, MTN
SUBJECT: SUBSIDIES/COUNTERVAILING MEASURES

REF: STATE 64491

1. EC COMMISSION AND US OFFICIALS MET HERE ON MARCH 17 FOR FURTHER DISCUSSION ON SUBSIDIES AND COUNTERVAILING MEASURES. EC PARTICIPANTS WERE KLEIN, BESELER, AND SUTTON OF DG I AND ABBOTT OF GENEVA MISSION. US SIDE CONSISTED OF RIVERS AND GREENWALD OF STR; SCHOTT, TREASURY; WALLER, MTN DEL; AND MCCARTHY, USEC.

2. US SIDE OPENED MEETING BY EXPLAINING PURPOSE OF CHANGES IN TEXT UNDER DISCUSSION ALONG LINES OF PARA 2 REFTEL. IN REPLY, KLEIN SAID THAT THE US REDRAFTING HAD NOT GONE AS FAR AS HE HAD HOPED IT WOULD. HE THOUGHT THAT
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THE OPENING PARAGRAPH, WITH ITS EMPHASIS ON THE EFFECT OF SUBSIDIES, RATHER THAN ON SUBSIDIES THEMSELVES, WAS A VERY GOOD JOB. ON FOLLOWING PARAGRAPHS, HE HAD PROBLEMS. HE ASKED IN PARTICULAR WHY THE US NEEDED TO DEVELOP A LIST OF INTERNAL SUBSIDIES. RIVERS ANSWERED THAT IN US VIEW, GATT ARTICLE XVI IS INADEQUATE ON THE DEFINITION OF SUBSIDIES. USG IS UNDER CONGRESSIONAL PRESSURE TO INCLUDE

SUCH THINGS AS BORDER TAX ADJUSTMENTS. MOREOVER, CONGRESS AND BUSINESS COMMUNITY SEE INTERNAL SUBSIDIES AS A GROWING PROBLEM FOR TRADE. USG IS SEARCHING FOR A MIDDLE LINE BETWEEN THESE CONCERNS AND THOSE OF EC. RIVERS ADDED THAT CONGRESS HAS NO CONFIDENCE IN ARTICLE XXIII DISPUTE SETTLEMENT PROCEDURES. USG TASK IS TO PRODUCE AN AGREEMENT WHICH WILL HAVE CREDIBILITY IN CONGRESSIONAL EYES IN ORDER TO OBTAIN ANY CHANGE IN US COUNTERVAILING DUTY LAW.

3. DISCUSSION THEN TURNED TO A REVIEW OF TEXT IN REFTEL, CONCENTRATING ON PARAGRAPHS ON THE GENERAL COMMITMENT AND INTERNAL SUBSIDIES. EC SIDE POINTED OUT SEVERAL TIMES THAT IN COMMITTING THEMSELVES TO "SEEK TO AVOID" THE USE OF INTERNAL SUBSIDIES, WE WOULD BE ASKING GOVERNMENTS TO FOLLOW UP MORE CLOSELY THAN MIGHT BE DESIRABLE WHAT HAPPENS TO THE MONEY THEY DISBURSE. IN EFFECT THIS WOULD PRODUCE A MORE DIRIGISTE POLICY THAN AT PRESENT. EC SIDE ALSO EXPRESSED CONCERN OVER SPECIFIC ITEMS ON INTERNAL SUBSIDY LIST, PARTICULARLY GOVERNMENT PARTICIPATION AND REGIONAL AIDS.

4. FOR PRESENTATIONAL PURPOSES TO MEMBER STATES, EC SIDE SUGGESTED THAT ILLUSTRATIVE LIST OF INTERNAL AND EXPORT SUBSIDIES MIGHT BETTER BE DRAFTED AS ANNEXES TO AGREEMENT AND BE PRECEDED BY LANGUAGE ON IMPROVEMENTS IN DISPUTE SETTLEMENT PROCEDURES.
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5. US AND EC SIDES ENGAGED IN DISCUSSION OF PRECISELY HOW US WOULD CHANGE ITS LEGISLATION ON COUNTERVAILING DUTIES ASSUMING A SATISFACTORY AGREEMENT WAS REACHED. EC SIDE SAID IT NEEDS SOME GUARANTEE THAT ALL US AGENCIES, INCLUDING ITC, WILL BE BOUND BY AN AGREEMENT. US SIDE EXPLAINED THAT LEGAL LANGUAGE IN TRADE ACT ON INJURY REQUIREMENT IN CASE OF DUTY-FREE ITEMS WOULD SERVE AS MODEL.

6. KLEIN SAID THAT EC SIDE WILL PRODUCE BEFORE NEXT MEETING A PAPER ON INJURY CRITERIA WHICH IT WOULD LIKE TO SEE US APPLY AND ALSO A PAPER ON NOTIFICATION, CONSULTATION, AND DISPUTE SETTLEMENT PROCEDURES. US SIDE OFFERED TO REDRAFT TEXT DISCUSSED TODAY IN LIGHT OF COMMISSION COMMENTS AND PROBLEMS. AT END OF SESSION, US SIDE ALSO GAVE EC REPS PAPERS WITH IDEAS ON PROCEDURES AND UPDATING OF EXPORT SUBSIDY LIST. BOTH SIDES AGREED THAT A PLURAL LATERAL DISCUSSION SHOULD TAKE PLACE IN GENEVA ON APRIL 6 AND 7 WITH SAME PARTICIPANTS AS JANUARY MEETING (NORDICS, JAPAN AND CANADA).

7. THIS MESSAGE DRAFTED AFTER DEPARTURE OF US REPS.

MORRIS

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Message Attributes

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